

Implications of European Community Enlargement for U.S. Tobacco Exports

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FOREWORD

The United Kingdom, Ireland, and Denmark became European Community (EC) members January 1, 1973. As such, they must adopt the EC's tobacco policies. These now include a Common Agricultural Policy (CAP) for tobacco, a common external tariff (CXT) on tobacco and tobacco products, preferential tariff treatment on tobacco imports from associated countries, provisions for harmonization of the excise tax on tobacco products by stages, and continuation of monopoly control over tobacco products retailing in Italy and France.

The EC, in mid-1970, adopted a Common Agricultural Policy for tobacco. The CAP provides: Guaranteed high prices with no automatic production controls; a lucrative buyer's premium for purchasers of EC leaf; an export subsidy; and limitations on imports by a safeguard clause. The CAP is expected to encourage tobacco production in the six EC countries, especially in Italy, the largest producer.

The EC at present has a common external tariff (CXT) which discriminates against high-quality leaf such as that imported from the United States. The new members will soon begin phasing in this CXT on tobacco imports from outside the EC and reducing to zero their tariffs on tobacco imports from other EC partners and from countries receiving preferential treatment for tobacco exports to the EC. The latter countries include such important tobacco exporters as Greece, Turkey, and Tanzania. By July 1, 1977, the United States will be facing the CXT for tobacco exports to these three members while tobacco from countries which produce about 1 billion pounds is expected to be duty-free.

The EC now grants duty-free treatment for tobacco imports from the Associated African and Malagasy States, the Overseas Countries and Territories, and the East African countries (Tanzania, Kenya, and Uganda). Greece and Turkey, as associate EC members also get duty-free treatment for their tobacco exports to the Community. Three of these (Tanzania, Kenya, and Uganda) already receive preferential treatment for tobacco exports to the United Kingdom and all may eventually receive duty-free treatment in each of the other two new members. In addition, the United Kingdom plans to bring in a number of Commonwealth members to which it now gives preferential treatment for tobacco imports and which eventually may

receive preferential treatment in each of the other eight EC partners.

The member states of the European Community intend to move by stages to a harmonized excise tax on cigarettes consisting of an ad valorem element and a specific element. An ad valorem tax will adversely affect the sale of cigarettes containing high-quality, high-priced tobaccos such as those exported by the United States. An EC directive adopted by the Council of Foreign Ministers December 1972 requires that during the first stage of harmonization, July 1, 1973 to July 1, 1975, the specific portion of the excise tax in each member state must be between 5 and 75 percent of the excise tax applied to retail prices of most popular brands of cigarettes. The United Kingdom and Ireland are not required to comply with the provisions of this Directive until January 1, 1978. Denmark's excise tax apparently already complies with the Directive. An earlier Council resolution made a similar proposal for the six original members, and Germany now has a tax with an ad valorem element of 25 percent, and the other original members have a tax 95 percent ad valorem.

The tobacco monopolies in Italy and France may have unrestricted access to the tobacco markets in the three new members for their cigarettes made with low-cost tobacco while these three countries will be restricted in marketing their cigarettes, made with expensive, high-quality U.S. and other tobaccos, in Italy and France. A council resolution provides that exclusive right of importation and wholesale marketing must be abolished by January 1, 1976. This action represents little reform in monopoly operations, however, for as long as the monopolies can license retailers and thus control retail trade, access for outside tobacco products will remain limited.

These policies are discriminatory to high-quality tobacco such as that exported by the United States, and unless eliminated or substantially modified, can be expected to have a strong adverse effect on U.S. tobacco exports to the three new members. This report discusses the present magnitude of these tobacco markets and analyzes the possible effects of EC accession on U.S. tobacco exports to these markets.

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CONTENTS

	<i>Page</i>
Market Harmonization	1
Harmonization of Common External Tariff	1
Preferences	2
Excise Tax Harmonization	3
Value-Added Tax Harmonization	3
United Kingdom	4
Consumption	4
Cigarette Retail Prices	4
U.K. Tax Structure	4
Tariff Harmonization	5
Excise Tax Harmonization	5
Value-Added Tax Harmonization	5
Ireland	5
Consumption	5
Cigarette Retail Prices	6
Tariff Harmonization	6
Excise Tax Harmonization	6
Value-Added Tax Harmonization	6
Denmark	6
Consumption	6
Cigarette Retail Prices	7
Retail Price Controls	7
Tariff Harmonization	7
Excise Tax Harmonization	7
Value-Added Tax Harmonization	7
Effect on U.S. Tobacco Exports	7
Appendix A	9
Appendix B	10
Appendix C	11

IMPLICATIONS OF EUROPEAN COMMUNITY ENLARGEMENT FOR U.S. TOBACCO EXPORTS

By Robert W. Johnson

The European Community (EC) is the world's largest market for U.S. tobacco exports. The EC-6 took 30 percent of U.S. unmanufactured tobacco exports during the 5-year period ending June 30, 1972. The EC-6, plus the United Kingdom, Ireland, and Denmark (which became EC members January 1, 1973) took 58 percent of U.S. exports of unmanufactured tobacco during that period. None of the three new members produces tobacco while the original six countries are about one-third self-sufficient and are encouraging domestic production through a Common Agricultural Policy (CAP) which provides high price supports and premiums to buyers of EC leaf.

The original six EC members have eliminated tariffs among themselves so that tobacco and tobacco products produced in any one may move duty free to any of the others. (Excise tax systems for tobacco products still differ however, and this has some restrictive effect on trade.) The major tobacco producers are Italy and France (Table 1, Appendix C). The three new members will progressively lower their duties on imports from the other members so that by July 1, 1977, there will be no duty on raw tobacco imported from EC producers and probably from some, if not all, countries which receive preferences on tobacco in the EC. These include such important tobacco exporters as Greece, Turkey, and Tanzania. The three also will eliminate by July 1, 1977, duties on tobacco product

imports from each other and from the other members.

The EC has adopted a common external tariff (CXT) on tobacco and tobacco product imports from outside the EC preferential trade area. This CXT provides for a much higher tariff rate for leaf tobacco valued over about \$1.42 per pound c.i.f. Some highly processed U.S. leaf is beginning to reach this level now. All three new members will adopt, over a period of time, the EC's CXT on tobacco and tobacco product imports from outside the EC preferential trade area.

The EC's CAP, which encourages domestic production through high price supports, and which encourages consumption of this tobacco through premiums paid to buyers of EC leaf, has been the subject of complaints by all segments of the U.S. tobacco economy and the U.S. Government. Other issues about which the United States has complained are continuation of monopoly control over tobacco retailing in Italy and France; excise tax harmonization based on high ad valorem rates which could adversely affect high-quality U.S. tobacco; substantially higher CXT tariff rates for more expensive tobacco, which also adversely affects high quality, and especially strips or stemmed U.S. cigarette tobacco; and tariff preferences given to low cost producers associated with the EC. (*Foreign Agriculture*, Nov. 2, 1970; Aug. 30, 1971; Dec. 6, 1971; April 3, 1972; and October 2, 1972.)

MARKET HARMONIZATION

The EC intends, eventually, to completely harmonize its tobacco leaf and tobacco products market. This will include harmonization of excise taxes in each country in addition to elimination of tariffs on intra-EC trade in tobacco and tobacco products and adoption of a common external tariff. It also will include adoption of a value-added tax which initially may be at a different level in each country but the rate of which must eventually be harmonized to a common level. All nine countries are expected to adopt a value-added tax by mid-1973. Elimination of intra-EC tariffs, and adoption by the new members of a common external tariff will have been completed by July 1, 1977. Harmonization of excise taxes may

extend beyond mid-1977, but the only important barrier left to the free internal movement of tobacco products after that date will be continuation of monopoly control of retailing in Italy and France. Unless present regulations are changed, monopolies in those countries will continue to license retailers. This gives them effective control over retail sales of imported tobacco products.

Harmonization of Common External Tariff

The EC's CXT for leaf tobacco, which each of the new members must adopt, is denominated in terms of units of account (U.A.) It is: (1) For leaf valued at

less than 280 U.A. per 100 kilograms, 23 percent but not less than 28 U.A. and not more than 33 U.A. per 100 kilograms. (2) For leaf valued at 280 U.A. per 100 kilograms or more, 15 percent but not more than 70 U.A. per 100 kilograms.

These tariffs are paid in the currencies of each of the member countries. For example, a German tobacco importer would pay the tariff at the rate of 3.66 Deutschmarks per unit of account, the official rate of exchange between Deutschmarks and units of account. The tariffs may then be converted to U.S. dollar equivalent at the market rate for converting Deutschmarks to dollars (approximately 3.22 Deutschmarks per dollar for early 1973). The dollar equivalent of this tariff for a German importer then would be: (1) For leaf valued at less than US\$1.44 per pound, 23 percent but not less than 14 U.S. cents per pound and not more than 17 U.S. cents per pound. (2) For leaf valued at US\$1.44 per pound or more, 15 percent but not more than 36 U.S. cents per pound. The dollar equivalents of the tariff for other members of the EC-6 are shown in Table 2, Appendix C. As of January 1973, official rates for converting units of account to the currencies of the three applicants had not been established.

The schedule for adoption of the CXT by the applicants and the zero internal tariff is as follows: The CXT will be adopted for both leaf and products by eliminating, on January 1, 1974, 40 percent of the difference between the present duty and the CXT. An additional 20 percent will be eliminated January 1, 1975; another 20 percent January 1, 1976, and the final 20 percent July 1, 1977. The tariff on imports from other members will be reduced to zero by eliminating 20 percent of the tariff on July 1, 1973, for leaf tobacco, and on April 1, 1973, for tobacco products. The balance of the tariff for both leaf and products will be eliminated in steps of 20 percent each on January 1, of 1974, 1975, and 1976, and July 1, 1977.

This is illustrated in tabular form as follows:

Date	Schedule for eliminating difference between present tariff and CXT ¹	Schedule for eliminating present tariff	
		Leaf	Products
	Percent	Percent	Percent
April 1, 1973 . .	--	--	-20
July 1, 1973 . .	--	-20	--
Jan. 1, 1974 . .	-40	-20	-20
Jan. 1, 1975 . .	-20	-20	-20
Jan. 1, 1976 . .	-20	-20	-20
July 1, 1977 . .	-20	-20	-20

¹ Both leaf and products.

The United Kingdom will follow this schedule both for leaf tobacco and tobacco products. The United Kingdom will phase in the zero duty on leaf imports from Greece and Turkey at the same time it phases in the zero duty from other EC countries. Tobacco from some Commonwealth countries (Appendix A) began entering the United Kingdom duty free on January 1, 1973. Some other Commonwealth countries and some countries receiving Commonwealth preferences will be treated as third countries by the United Kingdom and the CXT will be harmonized for them according to the above schedule. (See section on the United Kingdom.)

Ireland changed its revenue or "customs duty" on leaf tobacco to an excise tax January 1, 1973. For harmonization purposes, Ireland will have near zero duty from that date.¹ Ireland will phase its near zero or US\$0.0048 per pound duty to zero for leaf tobacco imports from the EC and, probably, from countries whose leaf tobacco now enters the EC duty free. Otherwise Ireland will follow the schedule for phasing its near zero duty to the CXT for leaf imports from outside the EC and EC preference area and for adopting the CXT for tobacco products.

Denmark, prior to becoming an EC member, had no duty on leaf imports from any source. Denmark will continue from January 1, 1973, with zero duty on leaf tobacco imports from the EC and probably from those countries whose leaf tobacco enters the EC duty free. Denmark also has zero duty on tobacco product imports from European Free Trade Association (EFTA) countries. This will continue in effect for the United Kingdom. But Denmark will adopt the CXT for leaf and product imports from outside the EC and EC preference area and will gradually reduce its duty on tobacco products to zero for other EC members.

Preferences

The EC-6 countries presently grant duty-free treatment to unmanufactured tobacco imports from Greece, Turkey, 18 Associated African States (Yaounde Agreement), and three countries of the Arusha Convention (Appendix B). Preferential duty treatment is also given to leaf tobacco and tobacco product imports from a number of minor producers such as Algeria and the Associated Overseas States and Territories (St. Pierre, and Miquelon, Comoran

¹ The "duty" is actually the difference between the preferential rate on imports from the United Kingdom and the most-favored-nation (MFN) rate. This difference is only Irish £0.002 or US\$0.0048 per pound for stemmed tobacco and zero for unstemmed tobacco. The former duty was £4.416 for unstemmed leaf from all sources and £4.416 for stemmed leaf from the United Kingdom and Northern Ireland and £4.418 for stemmed leaf from other MFN sources.

Archipel, French Somalia, New Caledonia and Territories, Wallis and Futuna Islands, French Polynesia, Southern (Australian) and Antarctic Territories, Surinam, and the Netherlands Antilles). Tunisia, Morocco, Spain, Malta, and Israel also enjoy preferential treatment for tobacco products.

The United Kingdom is expected to maintain duty-free treatment for unmanufactured tobacco imports from 20 independent Commonwealth countries (the Annex VI countries) including such important tobacco exporters as Malawi, Tanzania, and Zambia (Appendix A).

The three new EC members are expected to extend preferences to the over 23 countries now receiving preferential treatment for tobacco exports to the EC-6, and all of the other members may extend duty-free treatment to tobacco exports from the 20 countries receiving preferential treatment in the United Kingdom. Negotiations on the latter action are expected to begin by August 1, 1973.

The countries which now have duty-free access to the tobacco market of the EC-6—Greece, Turkey, and the Yaounde and Arusha countries—have a combined tobacco production of about 600 million pounds. The Commonwealth countries which might be given access to the tobacco market of the EC-9, the Annex VI countries, less the Arusha countries, which are specified in Annex VI but which already have duty-free access to the EC-6 and to the United Kingdom, have a combined production of about 130 million pounds. The EC itself produces about 300 million pounds. Adding all of this production together, countries which produce about 1 billion pounds of tobacco may have duty-free access to the tobacco market of the nine countries of the expanded EC.

Excise Tax Harmonization

The EC eventually plans to harmonize its excise taxes on cigarettes to a common level which would consist of an ad valorem component and a specific component. If a high ad valorem component is adopted, it will adversely affect the sale of cigarettes containing high-quality, high-priced tobaccos such as those exported by the United States.

An EC council directive on tax harmonization was adopted by the Council of Ministers December 18 and 19, 1972. This directive requires that during the first stage of harmonization, July 1, 1973 to July 1, 1975, each Member State must have an excise tax with a specific and a proportional (ad valorem) component. The specific component may not be lower than 5 percent or higher than 75 percent of the total tax.

An earlier EC council resolution proposed that during a planned first stage of harmonization, July 1, 1971 to the end of 1973, the specific portion of the excise tax in each Member State would be between 5 and 75 percent of the excise tax applied at retail prices of cigarettes most in demand.

As a result of this original proposal, Germany now has a tax with an ad valorem component of 25 percent. The other five original members now have a tax with a 95 percent ad valorem component. Italy did not have to comply with the first stage resolution until January 1, 1973, which means that during that period Italy still maintained its 100-percent ad valorem tax. The United Kingdom and Ireland both have traditionally had a 100 percent specific² fiscal charge. A part of the fiscal charge became a 100 percent specific excise tax for Ireland January 1, 1973. The United Kingdom will change part of its fiscal charge to a 100 percent specific excise tax April 1, 1973. Neither of these countries is required to comply with the December 18 directive until January 1, 1978, thus they may maintain their 100 percent specific excise tax until that time. About two-thirds of Denmark's excise tax revenue is based on an ad valorem tax and one-third is based on a specific tax.

Value-Added Tax Harmonization

Five of the six EC countries have a value-added tax (VAT) which applies to tobacco, as well as to other products. Italy did not adopt this tax until January 1973. Each of the three new members also must adopt a VAT. Denmark already has a VAT which applies to tobacco products. The level is 15 percent. Ireland adopted a VAT November 1, 1972. The level for cigarettes is 5.26 percent. The United Kingdom will adopt a VAT April 1, 1973.

Initially the level of the tax may be different in each of the nine members but, eventually, the level of the tax is to be harmonized at the same percentage rate in all nine countries. An unsettled question is whether or not the VAT will be included as a part of the ad valorem component of the excise tax. A decision to apply it on top of the excise tax rather than including it as a part of the ad valorem component would widen the spread between cigarettes made from high-priced leaf and those of lower quality. It would, thus, create a disadvantage to consumers who smoke high-quality cigarettes and it would be disadvantageous to countries which export, and to firms which use, high-priced, high-quality leaf.

²No part of the tax is ad valorem.

leaf.⁴ After April 1, 1973 the general rate of £5.041 will be separated into three components: 1) an excise tax of £4.220 (U.S. \$10.13), 2) a value added tax of £0.736 (U.S. \$1.77), and a duty of £0.085 (20 U.S. cents).

The Commonwealth rate of £4.964 also will be separated into the excise tax of £4.220 and value added tax of £0.736, leaving a margin of £0.008 (2 U.S. cents). This margin will be subject to alignment to the CXT and to the zero duty rate.

Tariff Harmonization

The U.K. duty of £0.085 on leaf tobacco from outside the Commonwealth must be reduced to zero for tobacco produced in the EC, Greece, and Turkey. The £0.008 margin for Commonwealth leaf will become zero for some Commonwealth countries specified in Annex VI of the Treaty (Appendix A.) It will be increased to the CXT for certain Commonwealth countries such as Canada, Australia, and probably India, and for some non-Commonwealth countries which now receive Commonwealth preferences, for example, South Africa. The major tobacco exporters included in Annex VI are Malawi, Zambia, and Tanzania.

The 18 Yaounde countries whose tobacco now enters the EC duty free (Appendix B) also may eventually receive preferential treatment by the United Kingdom, but this is a matter for future negotiation.

The United Kingdom, as a former member of EFTA, has no duty on tobacco product imports from other EFTA countries. There will continue to be no duty on tobacco products imported from Denmark, the other EFTA partner which is now an EC member.

The tariff on tobacco product imports will be reduced to zero for EC partners according to the schedule provided in the Treaty of Accession. It will be harmonized with the CXT for other countries including nonaccessing EFTA partners. The CXT for cigarettes is 90 percent ad valorem.

Excise Tax Harmonization

The EC Council Directive adopted December 18-19, 1972, provides that the excise tax portion of the fiscal charge, £4.964 or US \$11.92 per pound, may remain in effect until January 1, 1978. At that time it must be harmonized with whatever common level of excise tax has been decided upon by the EC members. This provision was made because of the technical difficulty, and the possible effect on British revenue, of shifting from the present tax based on the weight of tobacco leaf to a tax based on numbers of cigarettes.

The fiscal charge, prior to April 1, 1973, was wholly specific. That is, the tax was the same regardless of the value of the tobacco. A shift from this system to one based largely on the value of the manufactured product, an ad valorem tax, would be a drastic change and could have quite an adverse effect on high-quality tobacco such as that imported from the United States.

Value-Added Tax Harmonization

The level of the value-added tax initially may be different in each of the EC members but, eventually, this too must be harmonized so that the level will be the same in each EC country.

IRELAND

Ireland imported 11.7 million pounds of tobacco in 1971, of which 6.8 million pounds, or 58 percent came from the United States. Other important suppliers were the Republic of Korea, India, and South Africa. The average value of all imports was 97 U.S. cents per pound. The average value of imports from the United States was \$1.11 per pound. However U.S. exports of flue-cured strips, which accounted for 68 percent of total 1971 U.S. tobacco exports to Ireland, were valued at \$1.21 per pound.

Ireland, like the United Kingdom, produces cigarettes with no additives and uses all flue-cured, flavorful, high-cost leaf. The industry can experiment with additives but it cannot yet use them commercially. For Ireland, as for the United Kingdom, the EC likely will insist that the no-additive rule be eliminated.

Consumption

On a per capita basis, Ireland is the largest purchaser of U.S. tobacco among the nine countries of the enlarged EC. U.S. exports to Ireland during the 5-year period 1967-71 averaged 12 million pounds per year (Table 7, Appendix C). With a population of

⁴"Other" leaf, that containing less than 10 percent moisture, is taxed at £5.0910 (US\$12.22) for MFN leaf and £5.0060 (US\$12.01) for Commonwealth leaf. This is a margin of preference of £0.085 or 20 U.S. cents. This margin of preference also must be harmonized with the CXT.

3 million, this is 4.1 pounds per person a year. This compares with 2.2 pounds per person for the United Kingdom and 3.7 for Denmark.

Cigarette Retail Prices

Ireland's most popular cigarette brand sells for the equivalent of 57 U.S. cents per pack of 20. This cigarette is 70 mm. long. Eighty mm. cigarettes (including filter tip) sell for about 66 U.S. cents.

The components of the retail price of a package of 20 cigarettes are: Fiscal charge 70 percent, wholesale price and distribution cost 15 percent, retailer 10 percent, and value-added tax 5 percent.

Tariff Harmonization

Ireland's revenue duty or "customs duty" is £4.416 (US \$10.60)¹ per pound for unstemmed leaf from any source; and £4.418 (US \$10.60) for stemmed leaf from MFN sources and £4.416 for stemmed leaf from the United Kingdom. The £4.416 will continue in effect as the equivalent of an excise tax after accession in January 1973. The "duty" for purposes of harmonization with the CXT will then be considered zero for unstemmed leaf and £0.002 per pound (the margin of preference or current difference between the MFN rate of £4.418 and U.K. rate of £4.416) for stemmed leaf. The margin of preference of £0.002 is equivalent to US \$0.0048 or nearly zero. For the purpose of this paper it will be called zero.

After accession, the duty on EC tobacco and tobacco from Greece, Turkey, and probably from

other countries with EC preferences will then be zero and will remain at zero. The duty on tobacco from third countries is expected to be zero from January 1, 1973, until January 1, 1974, at which time the duty will become 40 percent of the CXT as provided in the Treaty of Accession. The duty on tobacco from third countries will become 60 percent of the CXT on January 1, 1975, 80 percent on January 1, 1976, and 100 percent on July 1, 1977.

The duty for cigarettes probably will be considered the difference between the preaccession preferential rate of £4.470 (US \$10.73) and the full rate of £5.243 (US \$12.58) per pound. This difference probably will be considered as the "protective element" which must be harmonized with the EC's CXT of 90 percent ad valorem.

Excise Tax Harmonization

The excise tax of about US\$10.60 per pound of leaf tobacco is expected eventually to be harmonized to whatever common level of excise tax is decided upon by the EC.

Value-Added Tax Harmonization

Ireland adopted a value-added tax November 1, 1972. The level for cigarettes is 5.26 percent. This replaced the 5-percent sales or "turnover" tax which applied to tobacco products so that the retail price of cigarettes did not increase. The VAT is applied in addition to the excise of about US\$10.60 per pound.

DENMARK

Denmark imported 30 million pounds of leaf tobacco in 1971, of which the United States supplied 45 percent. Much of the balance was cigar tobacco primarily supplied by Brazil and Indonesia. Denmark is believed to have the world's highest per capita cigar consumption.

The average value of Denmark's 1971 tobacco imports was 88 U.S. cents per pound. U.S. tobacco exports to Denmark in 1971 averaged 96 U.S. cents per pound but stripped, blue-cured exports (lamina), which accounted for 44 percent of the total, averaged US\$1.21 per pound.

There is considerable trade in tobacco products primarily as a result of zero duty with other EFTA members. For example, 1971 cigarette consumption was 6.5 billion pieces. One billion were imported and 2 billion were exported (Table 5, Appendix C).

¹At the mid-October 1972 market rate of \$2.40 per Irish £.

Consumption

Tobacco utilization by the Danish industry in 1971 was about 36 million pounds, of which about 18 million was for cigarettes, 11 million for cigars, and 7 million for smoking tobacco and other products (Table 3, Appendix C).

Denmark is a net exporter of cigarettes and smoking tobacco. Trade in cigars and cigarillos is quite small with imports slightly exceeding exports.

Average cigarette consumption in 1970 for persons 15 years and over was 1,700 pieces, compared with an average of 2,380 for all nine EC countries and 3,880 for the United States. Cigar consumption, on the other hand, averaged 277, highest for the EC-9 and far above the EC average of 50 and the U.S. average of 59 (Table 4, Appendix C).

Smoking tobacco is both exported and imported. Production of other products (mostly smoking tobacco) in 1971 was estimated at 7 million pounds.

About 2 million were exported and 1 million was imported, leaving about 5 million for domestic consumption (Table 5, Appendix C).

Cigarette Retail Prices

Denmark's retail price for cigarettes at US\$1.10 to US\$1.13 per pack of 20 is the highest among the nine countries of the expanded EC. An excise tax and a value-added tax account for 83 percent of the retail price, leaving 6 percent for the retailer and 11 percent for the manufacturer/distributor. The excise tax is 70 percent of the retail price. The VAT is 15 percent of all costs and margins including the excise tax. This amounts to 13 percent of the retail price.

A breakdown of the components of the retail price for Denmark's most popular brand is as follows:

	Ges per cigarette	Kroner per pack of 20	U.S. dollar equivalent	Percent
Excise tax	27.69	5.538	.791	70
Value-added tax	5.15	1.030	.147	13
Retailer	2.42	.484	.069	6
Manufacturer/ distributor . .	4.24	.848	.121	11
	39.50	7.900	1.128	100

1 Dkr = US\$1.00; 100 obo = 1 Kroner.

Retail Price Controls

The Danish Government has a "Monopoly Board" which must approve price increases for tobacco products. The industry must justify price increases by proving increased costs.

Tariff Harmonization

As an EC member, Denmark's preaccession, zero duty on tobacco leaf from all sources will continue to be zero from the other EC partners, associate EC members, and those countries receiving preferences in the EC. The common external tariff will be phased in for third countries according to the schedule provided in the Treaty of Accession, that is, 40 percent of the

CXT January 1, 1974; another 20 percent January 1, 1975; 20 percent more January 1, 1976; and the final 20 percent July 1, 1977.

The zero duty on tobacco products from other EFTA members will continue to be zero from the United Kingdom and will be phased to the CXT for other EFTA partners which will become third countries. The duties on tobacco products from all other countries will be phased to zero for other EC partners and will be phased to the CXT for third countries.

For example, the preaccession duty for cigarettes of 17 Kroner per kilogram (about \$2.43 per 1,000 cigarettes, or about 5 U.S. cents per pack which would be a little over 40 percent of the wholesale price) will be phased to zero for cigarettes from EC members beginning with a 20-percent reduction April 1, 1973; another 20 percent January 1, 1974; 20 percent January 1, 1975; 20 percent January 1, 1976; and the final 20 percent July 1, 1977. It will be phased from 17 Kroner per kilo to the EC's common external tariff of 90 percent ad valorem on cigarettes from outside the EC, beginning with a 40-percent reduction of the difference on January 1, 1974; another 20 percent January 1, 1975; 20 percent January 1, 1976; and the final 20 percent July 1, 1977.

Thus, the tariff structure for both leaf and tobacco products will be completely harmonized with that of the EC by July 1, 1977.

Excise Tax Harmonization

Denmark's excise tax which amounts to 70 percent of the retail price for popular brands has a specific and an ad valorem component. The Government calculates that the specific component is 9 ore per cigarette or about one-third of the total excise, which is within the 5 to 75 percent specific range required for the first stage of EC excise tax harmonization.

Value-Added Tax Harmonization

The 15-percent VAT probably will stay in effect at the present level until all nine EC countries harmonize their VAT's to a common level.

EFFECT ON U.S. TOBACCO EXPORTS

While it is still early to estimate the effect of EC enlargement on U.S. tobacco exports to the three new members, some general observations can be made.

The big changes could come about through (1) elimination of internal duties among the nine countries, adoption of zero duty on imports from certain associated countries, and adoption of the

common external tariff (CXT) on imports from all other countries; (2) harmonization of excise taxes; and (3) contribution of monopoly control over tobacco products retailing in Italy and France.

The greatest quantitative effect brought about by changes in duties most probably will come in the U.K. market, traditionally the largest market for U.S. leaf tobacco exports (Table 8, Appendix C).

U.S. tobacco, prior to January 1, 1973, entered the United Kingdom with a fiscal charge of US \$12.10 per pound while tobacco from countries receiving the Commonwealth preference entered at US \$11.92 per pound or 18 U.S. cents less. After April 1, 1973, the \$12.10 will become 1) an excise tax of \$10.13 per pound plus, 2) a value added tax of \$1.77 per pound, and 3) a duty of 20 U.S. cents per pound.

The duty for those countries that do receive the Commonwealth preference became 2 U.S. cents per pound or nearly zero. Both the 20 cents duty and the near zero duty will be phased to the CXT for countries outside the EC and the EC preference area. The duty for EC and some EC preference countries will be phased from 20 cents to zero. These changes will have been completed by July 1, 1977. At that time U.S. tobacco and other tobacco from outside the EC and EC preference area will pay the full CXT. Tobacco from the EC and EC preference countries will enter duty free.

Some former Commonwealth preference countries such as Canada, South Africa, and probably India, will have lost their 18 U.S. cents per pound preference and will be on a more competitive basis with the United States, that is, paying the full CXT. Other EC members, Greece, Turkey, and perhaps some of the Yaounde countries will have gained duty-free access to the U.K. market. The Annex VI countries (Appendix B), prior to accession, received the Commonwealth preference in the U.K. market. After accession their tobacco will enter duty free. They will have changed a 18 cents per pound preference for an exemption from the CXT. The CXT for most of their tobacco will fall within the 14 to 17 U.S. cents per pound range (Table 2, Appendix C), while a large proportion of leaf imports from the United States will fall in the 21 to 35 U.S. cents per pound range. Thus, unless this discriminatory feature of the CXT is modified, tobacco from these Annex VI countries will have a distinct duty advantage over U.S. leaf in the U.K. market.

Duty-free treatment for EC and EC preference tobacco gives the U.K. industry a large incentive to switch from its present 100-percent flue-cured cigarette to a blended cigarette using burley and aromatic tobaccos or to use a larger proportion of lower quality, duty-free, flue-cured tobacco in its 100-percent flue-cured cigarettes. Italian burley will have the advantage of the buyer's premium plus zero duty (Tables 9, 10, and 11, Appendix C). Greek and Turkish aromatic tobaccos and Greek burley will have the advantage of zero duty. This shift could have a very serious adverse effect on U.K. imports of U.S. tobacco.

Although all tobacco from outside the EC and EC preference area will be accessed the CXT by July 1,

1977, the higher tariff level provided by the CXT for more expensive, high-quality tobacco will provide an incentive for importing outside tobacco from the cheapest source possible. This also may have a very serious adverse effect on U.K. imports of U.S. leaf and on the quality of cigarettes smoked by the U.K. consumer.

Roughly, the same situation exists for Ireland except that Ireland has had zero duty on imports from the EC and some EC preference areas since January 1, 1973, while the United Kingdom is phasing in the zero duty from these countries at the same time that it is phasing in the CXT on imports from outside the EC and EC preference area. As a consequence, Ireland has had an earlier incentive to switch to tobaccos from the EC and countries receiving preferential treatment in the EC. The schedule for phasing in the CXT for outside countries is, of course, the same for both the United Kingdom and Ireland.

An even sharper impact on U.S. tobacco will be felt in Denmark though it is a much smaller market than the United Kingdom. All unmanufactured tobacco imports has entered Denmark duty free giving U.S. tobacco an equal chance to compete. Since January 1, 1973, EC and EC preference area tobacco continues to come in duty free while the CXT is being phased in for imports of U.S. and other outside tobacco. The CXT will be completely phased in by July 1, 1977.

Adoption by these three countries of the CXT, as presently constituted, would be exceedingly damaging to U.S. tobacco exports in two ways. First, Greece, Turkey, and a number of other countries whose tobacco had competed on equal terms with U.S. tobacco in these three markets, would have duty-free entry for tobacco while U.S. tobacco would pay the CXT. Second, the higher tariff levels provided by the CXT for more expensive tobaccos is highly discriminatory to high-quality U.S. leaf, much of which is stemmed prior to export. The stemming process elevates the price even further.

The higher tariff classification was originally intended to protect Italian tobacco wrapper, but as U.S. prices have risen, and as an increasingly high proportion of U.S. leaf exports has come to be stemmed, U.S. prices have begun to approach the upper range of tariff classification.

Flue-cured strips accounted for 35 percent of total U.S. unmanufactured tobacco exports to the nine countries of the enlarged EC in 1971. The average export price of these strips or "lamina" was US\$1.22 per pound. Adding transportation and storage costs would bring the EC import price to about US\$1.28. At a 5-percent annual rate of price increase (which is actually below the rate of the past

2 years) the average value of EC imports of U.S. flue-cured strips, which accounted for 35 percent of total U.S. exports to the enlarged EC in 1971, will move from the 14 to 17 cent per pound tariff category to the 21 to 35 U.S. cents classification by 1974. By 1983 the average value of U.S. flue-cured strips could be at the maximum rate of 35 U.S. cents per pound. This would have a severely damaging effect on U.S. tobacco exports unless this discriminatory feature of the CXT is abolished.

A significant impact on U.S. tobacco exports resulting from EC accession by these three countries could be caused by harmonization of the excise tax system. The United Kingdom and Ireland both have a 100-percent specific tax based on a specified sum of money per pound of tobacco regardless of the value of the tobacco. Denmark has an excise tax which accounts for about 70 percent of the retail price of a pack of cigarettes. It has a specific component, based on numbers of cigarettes, which accounts for about one-third of the total excise and an ad valorem component, based on value, which accounts for the remainder. Harmonization of these tax systems, especially the two which are 100 percent specific, to a system which has a high ad valorem component would make cigarettes containing high-nitricity, more costly U.S. tobacco substantially more expensive than those containing lower priced leaf

(Senate Hearing⁶ and Table 3, Appendix C). This would have a very definite adverse effect on U.S. tobacco sales in these countries.

The third factor which may severely restrict sales of U.S. tobacco in these three markets results from continuation of monopoly control over tobacco retailing in Italy and France. Unless current regulations are changed, tobacco industries in these three countries will be restricted in their ability to market their cigarettes in Italy and France, while the monopolies in those countries will have complete freedom to market their cheaper cigarettes containing mostly dark tobaccos in the three new EC members.

The monopolies in these two countries must give up their exclusive rights to import and wholesale tobacco products in their respective countries by January 1, 1976. However, unless existing regulations are changed, they will continue to license retailers after that date. This will give them effective control over what types of cigarettes are sold in their markets. Thus, they will be able to effectively control sales of imported cigarettes.

⁶Hearings before the Subcommittee on Agricultural Exports of the Committee on Agriculture and Forestry, U.S. Senate, Ninety-Second Congress, Second Session, on The Implications of the Common Agricultural Policy of the European Community on U.S. Tobacco Exports, February 22 and 23, 1972.

APPENDIX A

Countries Specified in Annex VI of the Treaty of Accession

All countries listed below are members of the Commonwealth and have had Commonwealth preference from the United Kingdom, Tanzania, Kenya, and Uganda are also partners to the Arusha Agreement.

Barbados	Kenya
Botswana	Lesotho
Fiji	Malawi
The Gambia	Mauritius
Ghana	Nigeria
Guyana	Sierra Leone
Japan	Swaziland

Tanzania	Uganda
Tonga	Western Samoa
Trinidad and Tobago	Zambia

The European Community (EC) has offered to these "independent Commonwealth countries" associate status similar to that now held by the Yaounde and Arusha countries, Greece, and Turkey. This means that these countries also could have duty-free access for their tobacco exports to the enlarged EC.

The EC has requested that these countries take a position with regard to its offer by August 1, 1973. In the meantime, these countries will continue to get preferential treatment for tobacco exports to the United Kingdom.

APPENDIX B

Countries Specified in the Yaounde Agreement of 1963 and Arusha Agreement of 1969

Countries for which leaf tobacco was granted
duty-free entry by the European Community (EC)
under the Yaounde Agreement of 1963 are as
follows:

Burundi
Cameroon
Central African Republic
Chad
Zaire (formerly Democratic Republic of Congo)
Republic of Congo-Brazzaville
Dahomey
Gabon

Ivory Coast
Malagasy Republic
Mali
Mauritania
Niger
Rwanda
Senegal
Somalia
Togo
Upper Volta

Countries for which leaf tobacco was granted
duty-free entry by the EC under the Arusha Agree-
ment of 1969 are Tanzania, Uganda, and Kenya.

Tanzania, Kenya, and Uganda also will continue to
receive preferential treatment in the United Kingdom
as Commonwealth members.

APPENDIX C

TABLE 1.—TOBACCO PRODUCTION IN THE SIX ORIGINAL MEMBERS OF THE EUROPEAN COMMUNITY (EC), 1960-64 AVERAGE AND 1968-71

[In millions of pounds]

Country	Fine-cured	Burley	Other	Total
Italy				
1960-64	20.3	25.1	80.2	125.6
1968	20.7	51.8	86.6	159.1
1969	21.5	61.6	90.4	173.5
1970	22.0	68.8	83.3	173.1
1971	15.9	77.1	73.5	166.5
1972	15.4	75.0	77.1	167.5
West Germany				
1960-64	2.1	7.8	11.1	22.2
1968	1.5	6.2	8.3	16.0
1969	1.6	6.9	8.2	16.7
1970	1.6	7.8	9.3	18.7
1971	1.3	8.3	11.0	20.6
1972	1.2	8.6	11.2	21.0
France				
1960-64	0	0.8	91.3	92.1
1968	0	1.0	116.0	117.0
1969	0	1.2	98.4	99.6
1970	0	1.7	104.1	105.8
1971	0	2.0	94.3	96.3
1972	0	2.2	110.7	112.9
Belgium-Luxembourg				
1960-64	0	0	6.0	6.0
1968	0	0	4.1	4.1
1969	0	0	4.1	4.1
1970	0	0	4.2	4.2
1971	0	0	5.1	5.1
1972	0	0	5.5	5.5
Netherlands				
1960-64	0	0	0	0
1968	0	0	0	0
1969	0	0	0	0
1970	0	0	0	0
1971	0	0	0	0
1972	0	0	0	0
Total EC-6				
1960-64	22.6	33.7	189.6	245.9
1968	22.2	59.0	215.0	296.2
1969	23.1	69.7	201.1	293.9
1970	23.6	78.3	199.9	301.8
1971	17.2	87.4	183.9	288.5
1972	16.6	85.8	204.5	306.9

TABLE 2.—EUROPEAN COMMUNITY TOBACCO: COMMON EXTERNAL TARIFF BREAKING POINTS CONVERTED TO U.S. DOLLARS FOR EACH OF THE ORIGINAL SIX EC COUNTRIES¹

Country	Currency	Units of currency per unit of account ²	Units of currency per U.S. dollar ²	Conversion of units of account to U.S. dollars for ²		
				280 U.A.	33 U.A.	70 U.A.
-- dollars per 100 kilograms -- (dollars per pound)						
Belgium-Luxembourg	Franc	50.00	44.80	312.51 (1.42)	31.25 (0.14)	36.83 (0.17)
France	Franc	5.55	5.00	311.03 (1.41)	31.10 (0.14)	36.66 (0.17)
Italy	Lira	625.00	581.00	301.20 (1.37)	30.12 (0.14)	35.50 (0.16)
Netherlands	Guilder	3.62	3.24	312.84 (1.42)	31.28 (0.14)	36.87 (0.17)
West Germany	Deutsche Mark	3.66	3.22	318.26 (1.44)	31.83 (0.14)	37.51 (0.17)

¹ The EC's CXT for leaf tobacco is: (1) for leaf valued at less than 280 U.A. per 100 kilograms, 23 percent but not less than 28 U.A. and not more than 33 U.A. per 100 kilograms; (2) for leaf valued at 280 U.A. per 100 kilograms or more, 15 percent but not more than 70 U.A. per 100 kilograms.

² The relationship of these currencies to the unit of account (U.A.) was unchanged by the Monetary Accord or "Smithsonian Agreement" of Dec. 18, 1971. Their relationship to the U.S. dollar was changed, however. Therefore, units of account are first converted to the currency of the country in which the tariff is paid and those currencies are then converted to U.S. dollars at the new exchange rates. For example, 280 U.A. x BF 50.00 ÷ BF 44.80 = \$312.51 per 100 kg. or \$1.42/pound.

TABLE 3.—ENLARGED EUROPEAN COMMUNITY, ESTIMATED MANUFACTURERS' TOBACCO UTILIZATION, BY TYPE OF PRODUCT

(In thousands of pounds)

Year	Cigarettes	Cigars & cigarillos	Other	Total	Cigarettes	Cigars & cigarillos	Other	Total
West Germany					France			
1966	236,584	55,790	16,270	308,644	143,571	7,210	34,932	185,713
1967	232,698	51,452	16,592	300,743	154,723	7,950	34,032	196,705
1968	251,975	49,396	15,961	317,332	153,321	8,010	33,351	194,682
1969	266,441	48,463	15,021	329,925	173,089	7,880	33,243	214,212
1970	264,732	44,204	14,415	323,351	165,447	8,040	30,236	203,743
1971	280,763	41,715	13,139	335,617	178,178	9,010	25,730	212,918
Netherlands					Belgium-Luxembourg			
1966	36,310	22,357	30,227	88,894	41,219	15,572	15,035	71,826
1967	37,919	21,605	36,376	95,900	41,224	17,513	15,331	74,068
1968	39,021	20,503	38,801	98,325	41,903	19,773	14,656	76,332
1969	(1)	(1)	(1)	97,311	42,749	17,737	13,373	73,859
1970	(1)	(1)	(1)	110,230	46,550	16,365	12,103	75,018
1971	(1)	(1)	(1)	113,537	45,860	17,573	11,023	74,456
Denmark					Ireland			
1966	14,058	11,900	7,110	33,069	8,714	(1)	1,455	12,405
1967	14,097	11,490	7,482	33,069	8,493	(1)	3,199	14,114
1968	18,639	11,050	7,617	37,306	8,983	(1)	5,029	17,135
1969	17,815	11,140	7,405	36,360	9,192	(1)	5,386	16,944
1970	18,685	11,130	7,368	37,183	9,957	(1)	6,370	20,000
1971	18,109	10,840	7,330	36,279	9,049	(1)	6,300	(1)
Italy					United Kingdom			
1966	139,488	3,102	8,324	150,914	262,728	8,372	(1)	300,800
1967	136,573	2,824	8,452	147,849	264,925	10,675	(1)	305,200
1968	137,500	2,843	7,508	147,851	268,932	10,968	(1)	308,500
1969	131,895	2,565	6,939	141,399	267,408	10,492	(1)	306,100
1970	129,364	2,355	7,171	138,890	274,600	8,614	(1)	304,700
1971	(1)	(1)	(1)	(1)	(1)	11,736	(1)	288,500

¹ - Not Available

TABLE 4.—ENLARGED EUROPEAN COMMUNITY AND U.S. TOBACCO UTILIZATION, CIGARETTE AND CIGAR CONSUMPTION, AND POPULATION, 1970

Country	Manufacturer's use: ¹			Cigarette consumption			Cigar consumption			Population ²		
	Total	Per person 15 and over	Total	Total	Per person 15 and over	Total	Total	Per person 15 and over	Total	Annual growth rate	15 years and over	
	Million pounds	Pounds	Million pounds	Billions pieces	Number	Percent	Million pieces	Pieces	Million	Percent	Million	Million
Belgium-Luxembourg	25.0	10.1	23.2	133.3	1,013	133.3	10.0	10.0	7.6	0.6	7.6	7.6
France	203.7	5.4	184.6	1,181	2,146	21.3	50.8	21.3	37.9	1.1	37.9	37.9
West Germany	232.4	7.3	118.1	118.1	3,170	72.0	61.5	72.0	44.6	1.0	44.6	44.6
Italy	138.9	3.4	68.0	68.0	1,700	4.5	53.6	4.5	40.6	1.8	40.6	40.6
Netherlands	110.2	11.7	22.8	24.33	2,074	220.6	13.0	13.0	9.4	1.3	9.4	9.4
United Kingdom	304.7	8.1	127.9	3,419	975	28.1	33.9	28.1	37.4	1.7	37.4	37.4
Ireland	20.0	10.0	5.1	2,571	(*)	6.1	4.9	4.9	3.7	3.7	3.7	3.7
Denmark	37.2	10.1	6.6	436.7	2,384	9,287	50.7	50.7	183.2	(*)	183.2	183.2
Total	1,213.1	6.6	536.4	3,879	8,118	58.7	200.0	200.0	136.3	1.4	136.3	136.3
United States	1,270.0	9.2										

¹ Manufacturer's use is only an estimate of consumption because some countries are net exporters while others are net importers.

² Population data for 1966-70.

³ Consumption in Italy appears quite low because estimates include only official utilization. Some estimates indicate that as much as half the cigarettes consumed in Italy are smuggled and would not be included in the official consumption data.

⁴ Not available.

TABLE 5.—ENLARGED EUROPEAN COMMUNITY: PRODUCTION, TRADE, AND CONSUMPTION OF TOBACCO PRODUCTS, 1966-71

Country and year	Cigarettes					Cigars & cigarsilloes					Other products				
	Production	Imports	Exports	Consumption	Production	Imports	Exports	Consumption	Production	Imports	Exports	Consumption	Production	Imports	Exports
	Million pieces	Million pieces	Million pieces	Million pieces	Million pieces	Million pieces	Million pieces	Million pieces	Million pieces	Million pieces	Million pieces	Million pieces	Million pieces	1,000 pounds	1,000 pounds
Belgium-Luxembourg															
1966	12,540	1,650	2,924	15,147	1,541	194,702	661,556	1,047	15,035	2,318	1,173	14,548	1,000	1,000	1,000
1967	16,291	1,512	3,728	15,448	1,515	207,668	656,521	1,045	15,331	2,670	1,139	14,813	1,000	1,000	1,000
1968	16,901	1,253	4,031	15,814	1,621	236,431	774,971	1,186	14,656	2,764	1,467	14,675	1,000	1,000	1,000
1969	17,595	1,716	3,170	16,633	1,610	234,147	768,802	1,075	13,373	3,062	1,266	13,228	1,000	1,000	1,000
1970	18,803	1,986	3,171	17,632	1,516	296,881	797,965	1,013	12,103	4,165	1,486	11,856	1,000	1,000	1,000
1971	19,300	2,834	4,366	18,400	1,520	767,364	958,857	990	11,023	5,096	1,096	10,582	1,000	1,000	1,000
France															
1966	57,225	5,650	5,586	54,330	731	438,000	1,286	732	34,912	1,701	300	35,498	1,000	1,000	1,000
1967	61,181	5,716	5,716	57,776	784	438,000	1,286	732	34,912	1,701	300	35,498	1,000	1,000	1,000
1968	62,383	7,149	6,484	60,405	801	798	39	784	33,351	2,325	278	34,159	1,000	1,000	1,000
1969	70,554	7,851	7,304	62,600	788	973	42	784	33,243	2,021	235	31,517	1,000	1,000	1,000
1970	69,903	9,944	8,378	69,868	804	1,031	39	806	30,256	2,110	245	28,793	1,000	1,000	1,000
1971	69,660	12,334	9,241	72,143	901	1,286	138	806	25,730	2,372	181	23,793	1,000	1,000	1,000
West Germany															
1966	106,640	70	5,151	101,488	3,793	91	14	3,778	19,284	842	1,062	19,272	1,000	1,000	1,000
1967	104,574	121	5,486	99,139	3,622	90	28	3,597	19,892	3,681	1,265	19,305	1,000	1,000	1,000
1968	113,691	203	5,246	108,444	3,623	135	42	3,470	17,804	6,217	1,518	18,155	1,000	1,000	1,000
1969	120,822	1,125	4,813	119,697	3,127	135	41	3,213	17,361	9,499	1,638	17,725	1,000	1,000	1,000
1970	122,311	600	4,860	118,051	3,119	135	41	3,099	14,927	12,001	1,532	15,443	1,000	1,000	1,000
1971	130,388	732	5,627	125,500	2,980	164	46	3,099	14,927	12,001	1,532	15,443	1,000	1,000	1,000
Italy															
1966	63,132	7,161	340	64,645	141	87	23	134	8,232	576	301	8,510	1,000	1,000	1,000
1967	65,197	8,531	439	66,627	287	140	29	276	7,582	447	56	8,016	1,000	1,000	1,000
1968	63,634	12,440	366	68,454	279	140	30	197	6,938	433	80	7,638	1,000	1,000	1,000
1969	60,357	12,131	284	69,196	203	193	30	182	7,022	541	45	6,972	1,000	1,000	1,000
1970	66,900	7,899	251	69,000	200	193	30	182	7,022	541	45	6,972	1,000	1,000	1,000
1971	67,500	11,959	250	70,400	220	222	31	186	7,220	522	62	7,011	1,000	1,000	1,000

Continued—

TABLE 3.—ENLARGED EUROPEAN COMMUNITY: PRODUCTION, TRADE, AND CONSUMPTION OF TOBACCO PRODUCTS, 1966-71—Continued

Country and year	Cigarettes				Cigars & cigarillos				Other products			
	Production	Imports	Exports	Consumption	Production	Imports	Exports	Consumption	Production	Imports	Exports	Consumption
Netherlands												
1966	15,806	2,029	2,602	15,782	1,881	589	641	1,908	30,049	1,116	10,498	29,513
1967	17,658	2,099	2,798	17,839	1,909	633	707	1,589	32,209	1,424	12,432	33,759
1968	19,274	2,079	2,667	19,110	2,025	1,162	874	2,002	33,371	1,158	13,766	37,588
1969	18,641	1,850	3,550	18,312	1,992	770	951	1,974	36,817	1,151	13,904	36,596
1970	22,930	1,765	4,973	22,846	2,066	811	1,223	2,074	40,124	1,360	16,667	40,124
1971	25,665	316	5,641	25,500	2,410	30	1,030	2,350	37,358	626	16,541	37,258
United Kingdom												
1966	134,200	594	14,260	117,600	837	76	3	900	(1)	836	2,465	30,400
1967	136,130	694	15,086	119,100	1,068	71	4	1,135	(1)	1,053	3,056	30,100
1968	140,960	700	16,457	121,800	1,097	89	6	1,180	(1)	2,980	4,293	29,100
1969	144,000	840	18,622	124,900	1,049	92	6	1,135	(1)	3,489	6,160	28,700
1970	147,500	941	20,611	127,900	862	121	8	975	(1)	5,969	6,389	27,500
1971	141,300	1,008	19,939	122,400	1,174	195	9	1,360	(1)	(1)	(1)	26,700
Ireland												
1966	5,126	330	191	5,265	(1)	5	(1)	(1)	1,455	10	11	1,454
1967	4,996	356	186	5,166	(1)	7	(1)	(1)	3,199	2,109	1,389	3,719
1968	5,284	177	362	5,099	(1)	8	(1)	(1)	5,029	4,398	4,099	5,328
1969	5,407	224	318	5,313	(1)	10	(1)	(1)	5,386	3,923	4,604	4,705
1970	5,857	113	831	5,139	(1)	12	(1)	(1)	6,371	5,612	5,298	6,685
1971	5,225	136	390	5,131	(1)	17	(1)	(1)	6,081	13,478	5,181	14,378
Denmark												
1966	6,989	731	1,008	5,560	1,190	28	14	1,204	7,110	679	766	6,210
1967	7,059	808	1,556	5,600	1,149	31	17	1,093	7,482	1,301	1,366	6,175
1968	7,850	724	1,823	5,800	1,105	29	15	1,000	7,617	899	1,419	6,118
1969	8,300	744	1,831	6,300	1,114	28	18	1,050	7,405	994	1,358	5,811
1970	8,500	794	1,770	6,300	1,113	27	20	1,054	7,588	1,010	1,846	5,324
1971	8,650	846	1,791	6,500	1,064	51	44	968	7,350	955	2,123	5,496

Not available.

TABLE 6.-HYPOTHETICAL SHIFT IN SOURCES OF U.K. TOBACCO TAX REVENUE 1972-1978

[In dollars per pound]

Transitional suppliers	Tobacco from EC including Greece & Turkey			Tobacco from 3rd countries ¹			Tobacco from Commonwealth Annex VI countries ³		
	Customs	Excise +VAT	Total revenue	Customs	Excise + VAT	Total revenue	Customs	Excise + VAT	Total revenue
Jan. 1, 1972	13.10	0	13.10	12.10	.00	12.10	11.92	0	11.92
Apr. 1, 1973	4.20	11.90	12.10	.20	11.90	12.10	.02	11.90	11.92
July 1, 1973	4.16	11.90	12.06	.20	11.90	12.10	.02	11.90	11.90
Jan. 1, 1974	3.12	11.90	12.02	(3)	11.90	(12)	0	11.90	11.90
Jan. 1, 1975	9.08	11.90	11.98	(3)	11.90	(12)	0	11.90	11.90
Jan. 1, 1976	0.04	11.90	11.90	(10)	11.90	(12)	0	11.90	11.90
Jan. 1, 1977	0	11.90	11.90	(10)	11.90	(12)	0	11.90	11.90
July 1, 1977	0	11.90	11.90	CNT	(12)	(12)	CNT	(12)	11.90
Jan. 1, 1978	0	(11)	(11)	CNT	(12)	(12)	CNT	(11)	(12)

¹ The Yacoude countries (Appendix 11et A) will initially be treated as third countries but may later receive duty-free treatment for leaf tobacco imports.² Includes Canada and probably India.³ Includes Malawi, Zambia, the Arusha countries: Tanzania, Kenya, Uganda, and 15 others. See Appendix B.⁴ 80 percent of basic duty.⁵ 40 percent of basic duty.⁶ On Jan. 1, 1974, the United Kingdom will make the first step toward phasing in the CXT for third countries and for developed Commonwealth countries. This step will be made by reducing the difference between the basic duty (20 cents per pound for third countries and 2 cents for developed Commonwealth countries) and the CXT by 40 percent.⁷ 40 percent of basic duty.⁸ On Jan. 1, 1975, the United Kingdom will further reduce the difference between the basic duty and the CXT by 20 percent.⁹ 20 percent of basic duty.¹⁰ On Jan. 1, 1976, the United Kingdom will further reduce by 20 percent the difference between the basic duty and the CXT for third countries and for developed Commonwealth countries. It will then remain at this level from Jan. 1, 1976, until July 1, 1977, when the final 20 percent difference will be eliminated and the duty will become the full CXT for both third countries and for developed Commonwealth countries.¹¹ The excise tax of £4.230 (\$10.13) plus the VAT of £0.736 (\$1.77) may be maintained until January 1, 1978. After that time they are expected to be harmonized with the EC VAT and excise.¹² Customs + excise + value-added tax.

Note: Calculations are based on the preferential rate of 24.965 (\$11.92) and the general rate of £5.042 (\$12.10) per pound converted at the mid-October 1972 market rate of exchange of \$2.40 per £. These are the rates for tobacco containing 10 percent or more moisture.

TABLE 7.—U.S. EXPORTS OF TOBACCO AND TOBACCO PRODUCTS TO THE EUROPEAN COMMUNITY 1965-71

Country or region	Quantity			Value			
	Leaf tobacco	Cigarettes	Smoking in bulk	Leaf tobacco	Cigarettes	Smoking in bulk	Total ¹ products
	1,000 pounds	million pieces	1,000 pounds	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
EC MEMBERS							
Belgium-Luxembourg							
1965	18,843	511.2	191	11,220	2,391	147	2,594
1966	17,461	398.9	220	11,561	1,911	170	13,814
1967	17,483	593.9	226	12,037	3,069	184	13,704
1968	20,130	993.4	233	14,561	5,199	192	15,362
1969	17,442	959.5	265	13,529	5,111	252	15,362
1970	12,442	1,160.9	6	10,542	6,675	6	18,948
1971	15,598	2,728.7	0	14,914	16,575	0	17,301
1972	12,865	2,984.4	0	12,603	18,231	0	16,533
France							
1965	5,782	1,034.6	636	3,804	4,910	708	5,884
1966	6,631	968.7	257	5,254	4,679	296	5,585
1967	6,876	719.7	345	4,328	3,604	401	10,839
1968	6,876	479.2	1	5,372	2,475	1	8,698
1969	8,628	324.6	377	5,958	1,880	389	8,220
1970	8,982	284.8	52	6,449	1,566	572	2,245
1971	10,107	233.8	9	5,938	1,400	9	8,725
1972	7,703	209.0	48	4,888	1,247	65	7,510
West Germany							
1965	80,873	522.8	151	63,605	2,472	131	2,684
1966	98,730	653.4	224	83,636	3,144	163	66,289
1967	114,274	730.2	377	99,656	3,612	397	84,117
1968	88,635	734.2	254	74,062	3,761	211	103,732
1969	102,154	453.0	99	89,716	2,382	93	4,143
1970	92,645	749.6	49	84,712	4,113	38	2,584
1971	99,962	668.1	292	93,096	3,898	297	92,360
1972	99,242	624.2	38	97,392	3,639	47	89,020
Italy							
1965	8,414	642.9	881	5,157	3,052	1,011	4,264
1966	3,682	622.4	1,038	2,118	3,028	1,230	9,281
1967	7,063	714.7	1,550	5,566	3,597	1,868	4,313
1968	5,016	693.9	4,086	4,209	3,386	1,868	5,539
1969	3,546	639.3	4,426	17,257	3,371	5,054	8,706
1970	3,099	803.8	4,532	2,482	4,512	5,411	26,097
1971	16,367	614.8	2,134	15,105	3,655	2,790	10,511
1972	22,525	697.5	796	22,553	4,175	1,008	12,993
							27,806

¹ See footnote at end of table.

Continued—

TABLE 7.—U.S. EXPORTS OF TOBACCO AND TOBACCO PRODUCTS TO THE EUROPEAN COMMUNITY, 1965-71—CONTINUED

Country or region	Quantity			Value			Total ¹ products	Leaf plus ¹ products
	Leaf ² tobacco	Cigarettes	Smoking in bulk	Leaf ² tobacco	Cigarettes	Smoking in bulk		
	1,000 pounds	Million pieces	1,000 pounds	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Netherlands								
1965	57,164	503.3	75	724.59	2,105	76	2,407	24,916
1966	58,774	606.5	1,491	17,352	2,851	1,779	4,839	21,191
1967	40,531	474.5	1,168	30,440	2,379	1,323	3,799	31,239
1968	44,034	593.7	1,311	37,279	3,059	1,423	5,032	35,301
1969	34,564	447.3	1,658	22,620	2,353	1,913	4,372	26,992
1970	36,562	558.6	3,680	19,429	3,726	4,372	8,130	27,559
1971	28,115	584.5	7,209	21,660	3,401	8,099	11,540	33,190
1972	27,382	457.9	9,339	19,688	2,630	10,399	12,988	32,676
United Kingdom								
1965	92,854	281.6	0	95,082	1,213	0	1,381	96,463
1966	129,868	379.1	7	136,194	1,448	6	1,605	137,799
1967	137,553	353.2	23	139,283	1,731	28	1,911	141,164
1968	146,697	415.0	39	145,152	1,945	47	2,200	147,352
1969	134,198	370.7	404	147,006	1,742	226	2,162	149,168
1970	95,465	498.8	456	106,585	2,497	358	2,958	109,543
1971	89,845	606.4	1,261	101,911	2,974	749	3,959	105,850
1972	115,134	481.2	675	132,105	2,746	535	3,628	135,733
Ireland								
1965	10,639	19.7	0	9,786	94	0	112	9,898
1966	13,469	20.4	0	13,318	97	0	110	13,428
1967	14,260	25.8	0	13,376	134	0	142	13,518
1968	15,026	27.1	1	15,570	142	1	151	15,671
1969	10,501	37.3	0	9,737	201	0	216	9,953
1970	10,195	39.3	3	11,262	216	4	241	10,503
1971	8,966	35.5	18	8,212	213	20	241	8,453
1972	14,300	40.6	7	15,135	246	9	275	15,430
Denmark								
1965	15,144	398.9	31	13,669	1,828	30	2,028	15,697
1966	17,282	477.7	6	14,354	2,274	6	2,412	17,166
1967	17,872	520.0	10	14,131	2,598	10	2,776	16,917
1968	19,212	369.2	1	16,549	1,916	1	2,060	18,609
1969	19,113	365.3	0	17,331	1,925	0	2,045	19,376
1970	18,110	346.3	2	15,862	1,834	2	1,955	17,817
1971	16,680	324.3	1	15,993	1,952	1	2,085	18,078
1972	20,836	279.2	0	21,425	1,577	0	1,494	22,919

^a See footnote at end of table.

Continued—

TABLE 7.—U.S. EXPORTS OF TOBACCO AND TOBACCO PRODUCTS TO THE EUROPEAN COMMUNITY, 1965-71—CONTINUED

Country or region	Quantity			Value			
	Leaf tobacco	Cigarettes	Smoking in bulk	Leaf tobacco	Cigarettes	Smoking in bulk	Total ¹ products
	1,000 pounds	Million pieces	1,000 pounds	1,000 dollars	1,000 dollars	1,000 dollars	Leaf plus ¹ products
Total							1,000 dollars
1965	269,713	3918.0	1,965	224,852	18,455	2,093	246,066
1966	318,497	4077.1	3,243	284,387	19,453	3,670	308,675
1967	333,823	4124.3	3,699	305,797	20,724	4,131	341,785
1968	348,826	4296.0	5,226	305,704	22,083	6,910	336,306
1969	345,146	4397.0	7,226	323,214	18,765	8,284	351,097
1970	367,560	4552.1	9,700	357,323	25,139	11,204	394,451
1971	305,660	5796.1	10,974	277,888	34,069	11,963	324,776
1972	314,977	5724.0	10,965	325,809	34,281	11,963	373,743

¹ Includes products other than those shown. The products included but not shown are cigars and cheroots, smoking in packages, chewing, and snuff.

TABLE 3 - SPANISH TUNER TORQUES: IMPORT BY DE AND EN (LARGE, IN)

		In thousands of units, in millions of euros																											
COUNTRY OR TERRITORY	RELATIONS TERRITORY	NORTH AMERICA				FRANCE				GERMANY				ITALY				UNITED KINGDOM				RELATIONS EUROPE				TOTAL (1994-1995)			
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value						
North America	USA	14,985	12,454	37,868	27,877	4,484	4,296	322,731	106,255	15,533	10,891	17,666	16,115	13,751	1,808	667	17,661	16,115	1,573	14,082	1,474	714	47,743	49,577	2,441	2,074			
USA	14,985	12,454	37,868	27,877	4,484	4,296	322,731	106,255	15,533	10,891	17,666	16,115	13,751	1,808	667	17,661	16,115	1,573	14,082	1,474	714	47,743	49,577	2,441	2,074				
Latin America																													
Brazil				601	221	866	3	4,861	1,647																				
Mexico				36	53					711	968			686	967														
Central America				1,003	182		1,179	541	1,077	963				3,831	1,474		261	471											
Caribbean				601	111					1,030	421			1,911	2,146		42	111											
South America				3,415	1,675																								
Bolivia																													
Colombia				141	15																								
Costa Rica				141	15																								
Cuba				141	15																								
Guatemala				141	15																								
Honduras				141	15																								
Nicaragua				141	15																								
Panama				141	15																								
Paraguay				141	15																								
Peru				141	15																								
Venezuela				141	15																								
Europe				6,651	3,743	15,441	8,338	63,321	18,000	46,736	18,000																		
Germany																													
Italy																													
France																													
United Kingdom																													
Spain																													
Sweden																													
Denmark																													
Netherlands																													
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TABLE 4 – EMPLOYMENT TRENDS BY INDUSTRY AND EMPLOYMENT STATUS

(in thousands of people, both ends of 2001)

ECONOMIC SECTOR	FULL-TIME				PART-TIME				TOTAL				UNEMPLOYED				TOTAL EMPLOYMENT			
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
INDUSTRY																				
Health Services	1,830	242	6,177	636	1,733	402	2,613	433	112	11	138	61	2,689	323	1,250	136	3,939	459	1,250	136
Food Services	1,571	703	2,582	670	6,090	441	64	27	6,214	1,626	33	60	136	338	3,330	1,716	1,536	626	1,536	626
Retail	4,750	1,062	402	173	2,230	330	11,246	6,640	7,220	1,294	2,821	6,449	171	141	1,280	1,000	2,100	1,000	2,100	1,000
Transport	29	1	435	16	6,750	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043
Construction	636	703	34	13	1,519	136	2,269	1,268	136	203	1,412	1,646	7,701	4,703	1,165	720	1,165	720	1,165	720
Manufacturing	1,806	605	2,203	382	6,340	1,043	9,008	1,113	63	51	80	44	2,791	1,609	2,571	1,609	2,571	1,609	2,571	1,609
Services	1,801	605	1,113	95	3,756	1,493	10,665	4,665	95	24	136	303	3,330	2,436	1,165	720	1,165	720	1,165	720
UNEMPLOYED																				
Health Services	44	27	80	80	44	27	44	44	44	44	44	44	44	44	44	44	44	44	44	44
Food Services	703	47	80	80	44	27	44	44	44	44	44	44	44	44	44	44	44	44	44	44
Retail	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043
Transport	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043
Construction	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043
Manufacturing	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043
Services	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043
GRAND TOTAL	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043

1. Includes 100

2. Not included

Source: Author's calculations

TABLE 9.—EUROPEAN COMMUNITY STANDARD AND INTERVENTION PRICES AND BUYERS' PREMIUMS FOR THE 1970 AND 1971 CROPS OF LEAF TOBACCO¹

[In U.S. cents per pound]

Country and variety	Standard price	Intervention price	Buyer's premium	Buyer's premium as percentage of standard price
Germany:				
1. Badischer Gaudertholmer (cigar)	82.8	74.5	57.5	69
2. Badischer Burley E (burley)	100.0	90.0	54.5	55
3. Viegis SCR (flue-cured)	92.4	83.2	44.3	48
France:				
4. Paraguay Dragon Vert (air-cured)	63.5	57.2	43.3	68
5. Nijkerk (dark air)	67.1	60.4	45.0	67
6. Burley (burley and Bell)	77.5	69.7	32.2	42
7. Missionero (dark air)	58.2	52.4	41.0	71
8. Philippine Pelt Grammont (dark air)	46.8	42.1	27.5	59
Belgium:				
9. Semols (dark air)	55.5	49.9	33.7	61
Italy:				
10. Bright (flue-cured)	75.5	66.6	33.8	45
11. Burley—Maryland (burley)	64.8	58.3	30.5	47
12. Kentucky Moro di Cori (flue-cured)	62.7	56.5	17.5	28
13. Mostmo (dark air)	62.4	56.1	45.3	73
14. Rosevulmo (dark air)	49.5	44.6	30.8	62
15. Xanti—Yaka (oriental)	94.6	86.0	54.1	56
16. Perualiza (oriental)	88.8	79.9	51.3	58
17. Fredegovino (semioriental)	79.5	71.5	48.6	61
18. Round Tip Sanfidi (Susatra cigar)	404.4	364.0	226.5	56
19. Brasile Selvaggio (dark air)	40.0	36.0	8.0	20

¹ Standard and intervention prices were the same for the 1970 and 1971 crops. The buyer's premiums shown are for the 1970 crop. The buyer's premiums for the 1971 crop were changed as follows: (1) Type 11, Italian burley decreased by 1.4 cents per pound and (2) Type 10, Italian flue-cured increased by 6.4 cents per pound.

TABLE 10.—EUROPEAN COMMUNITY: STANDARD AND INTERVENTION PRICES AND BUYERS' PREMIUMS FOR THE 1972 CROP OF LEAF TOBACCO¹

[In U.S. cents per pound]²

Country and variety	Standard price	Intervention price	Buyer's premium	Buyer's premium as percentage of standard price
Germany:				
1. Badischer Goudaheimer (cigar)	98.3	88.5	68.4	70
2. Badischer Burley E. (burley)	118.7	106.9	68.1	57
3. Virgin SCR (fine-cured)	111.8	100.7	60.1	54
France:				
4. Paraguay Dragon Vert (air-cured)	74.7	67.2	51.5	69
5. Nijkerk (dark air)	78.9	71.0	55.6	70
6. Burley (burley and Bel)	89.3	80.4	45.3	51
7. Missonero (dark air)	68.4	61.6	49.8	73
8. Philippin Petit Grammont (dark air)	55.5	49.9	34.6	62
Belgium:				
9. Semois (dark air)	66.7	60.1	43.7	66
Italy:				
10. Bright (fine-cured)	87.6	78.8	53.7	61
11. Burley 1	70.9	63.9	33.6	47
Maryland	75.1	67.6	40.6	54
12. Kentucky Mono di Cori (fine-cured)	72.7	65.5	25.9	36
13. Neotano (dark air)	71.6	64.5	55.7	78
14. Benevento (dark air)	56.9	51.2	38.7	68
15. Xanti-Yaka (oriental)	105.8	95.2	70.0	66
16. Peristizza (oriental)	99.1	89.2	64.8	65
17. Enezovina (semioleant)	88.8	79.9	57.8	65
18. Round Tip Scafati (Sumatra (cigar)	468.9	422.0	271.2	58
19. Brasile Schvaggio (dark air)	43.8	39.4	10.7	24

¹ Farsi sales weight basis.

² Based on the following exchange rates: 1 unit of account = 3.66 DM, 5.55419 French francs, 50.0 Belgian francs, and 625 Italian lira, US \$1.00 = 3.20 DM, 5.00 French francs, 44.8 Belgian francs and 581 Italian lira.

TABLE 11.—EUROPEAN COMMUNITY: STANDARD AND INTERVENTION PRICES AND BUYERS' PREMIUMS FOR THE 1972 CROP OF LEAF TOBACCO¹

[In dollars per kilogram]²

Country and variety	Standard price	Intervention price	Buyer's premium	Buyer's premium as percentage of standard price
Germany:				
1. Badischer Gaudelheimer (cigar)	2.167	1.951	1.509	70
2. Badischer Darky II (burley)	2.618	2.356	1.501	57
3. Virgin SUR (fine-cured)	2.465	2.219	1.324	54
France:				
4. Paragony Dragon Vert (fine-cured)	1.646	1.482	1.136	69
5. Nijkerk (dark air)	1.739	1.565	1.225	70
6. Burley (burley and Bel)	1.969	1.772	.999	51
7. Misionero (dark air)	1.507	1.357	1.098	73
8. Philippin Petit Grammont (dark air)	1.223	1.101	.762	62
Belgium:				
9. Semols (dark air)	1.471	1.324	.963	66
Italy:				
10. Bright (fine-cured)	1.931	1.738	1.183	61
11. Burley I	1.564	1.408	.740	47
Maryland	1.656	1.491	.896	54
12. Kentucky More di Cori (fine-cured)	1.603	1.443	.571	36
13. Nostrano (dark air)	1.579	1.421	1.227	78
14. Benettonno (dark air)	1.254	1.128	.853	68
15. Xanti-Yaku (oriental)	2.332	2.098	1.544	66
16. Perastiza (oriental)	2.185	1.966	1.429	65
17. Excegovina (semioriental)	1.957	1.761	1.274	65
18. Round Tip Senfati (Sumatra cigar)	10.337	9.304	5.980	58
19. Brasile Schaggio (dark air)966	.869	.736	24

¹ Farm sales weight basis.

² Based on the following exchange rates: 1 unit of account = 3.66 DM, 5.55419 French francs, 50.0 Belgian francs, and 625 Italian lire, US \$1.00 = 3.20 DM, 5.00 French francs, 46.8 Belgian francs, and 581 Italian lire.